

REGULAR BOARD OF TRUSTEES MEETING MINUTES

Tuesday, February 26, 2008

Dave Adams called the meeting to order at 10:00a.m. Other Board members present included Don Bennett, Cyndi Walsh, Cari Whicker, and Ryan Kitchell.

TRF staff present included Steve Russo, Tom Davidson, Becky Carter, Bethaney Matlock, and Julia Pogue.

Dave Adams thanked Cristy Wheeler for her service to the state of Indiana and then welcomed Steve Russo as the new Executive Director of the Fund.

Dave Adams noted that no action was taken during the Executive Session.

Tom Davidson revisited Don Bennett's question from the November 2007 Board meeting regarding TRF being one fund with two separate accounts. Tom stated that money from one account cannot be used to pay for another; they are separate accounts, not separate funds. Tom stated that he will request a legal memorandum from Ice Miller and return to the Board with a final opinion.

The minutes of the November 27, 2007 meeting were presented. Ryan Kitchell moved to approve the minutes. Cyndi Walsh seconded the motion. The motion carried.

The resolution allowing the Board to delegate statutory requirements was presented. Don Bennett moved to approve the resolution and Ryan Kitchell seconded the motion. The motion carried.

Julia Pogue introduced the financial reports by reviewing the monthly expenditure and budget chart. She noted that TRF is under budget overall; however TRF is over budget with the actuary due to transition costs and the new in-house actuary tool. Julia estimated approximately \$50,000 to \$75,000 more to be allocated to the actuary for the remaining fiscal year. She reviewed the quarterly statement of changes in net assets chart, and answered questions from the Board. Ryan Kitchell requested to see a securities lending report in the future, and requested an explanation for the quarterly reduction in annuity and disability benefits.

Steve Russo discussed the new budget planning cycle in which each TRF department is to set a budget and hold the staff accountable for managing costs.

Bob Newland reviewed the Q4 investment returns and gave a brief review of the executive summary. Bob confirmed that we do not have any auction rate securities. Dave Adams requested to see more quantitative statistics for "watch list" managers in the executive summary, and Cyndi Walsh requested the executive summary on a quarterly basis.

Steve Russo stated he will review asset allocation with TRF staff and look at future Board meetings to schedule a discussion.

The Board stated they were concerned with the irrevocable nature of the voluntary pre-tax deduction that teachers sign up for. Dave Adams requested to have a representative from Ice Miller come to a Board meeting to discuss the irrevocable pre-tax resolution. Steve Russo also stated that he will look into this issue with staff and report back to the Board in March.

Steve Russo presented the guaranteed fund rate recommendation of 5.5% for fiscal year 2009. Dave Adams added that something to consider is an ASA provider that would allow members to change allocations more frequently. The Board requested close monitoring of the annuity savings account asset reserve. Cari Whicker moved to approve the guaranteed fund rate recommendation of 5.5% and Ryan Kitchell seconded the motion. The motion carried.

Steve Russo began the Director's Report by reviewing his hand-out with the Board. He discussed the custodian RFP process and recommended extending the current Northern Trust contract until June 30, 2008. Dave Adams moved to approve the recommendation of extending the contract and Don Bennett seconded the motion. The motion carried. Steve reviewed the liquidity analysis status, and the Board stated they would like to know what assumptions went into the analysis. Ryan Kitchell then requested to have the actuary take a second look at the budget while having a representative from OMB attend the meeting. Lastly, Steve Russo presented and discussed the agenda for future Board meetings.

The March Board meeting was set for March 25, 2008 at 10:00a.m.

There being no additional business, Ryan Kitchell moved to adjourn the meeting. Cari Whicker seconded the motion. The meeting adjourned at 12:08p.m.